

**UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)**

**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021
WITH INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT**

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

<u>INDEX</u>	<u>PAGE</u>
Independent auditor's limited review report	-
Condensed Interim statement of financial position (unaudited)	2
Condensed Interim statement of profit or loss and other comprehensive income (unaudited)	3
Condensed Interim statement of changes in shareholders' equity (unaudited)	4
Condensed Interim statement of cash flows (unaudited)	5
Notes to the condensed interim financial statements (unaudited)	6-16



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INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT FOR THE CONDENSED INTERIM FINANCIAL STATEMENTS

To : The Shareholders

UMM AL-QURA CEMENT COMPANY
(Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Umm Al-Qura Cement Company, a Saudi Joint Stock Company ("the Company"), as of 31 March 2021 and the condensed Interim statements of profit or loss and other comprehensive income and the statement of changes in shareholders' equity and statement of cash flows for the three months period ended on that date and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation of these condensed interim financial statements in accordance with International Accounting Standard (34), "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (2410), "Review of condensed interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as of 31 March 2021, are not prepared in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting", as endorsed in the Kingdom of Saudi Arabia.

Allied Accountants
Dr. Abdelgadir Bannaga & Partners Co.

Mohammed Bin Farhan Bin Nader
License No. 435
Riyadh, Saudi Arabia
15 Ramadan 1442 H (27 April 2021).



UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF 31 MARCH 2021

		31 March 2021 SAR (Unaudited)	31 December 2020 SAR (Audited)
	Note		
Assets			
Non current assets			
Property, plant and equipment, net		862,663,924	875,628,544
Intangible assets , net		570,177	656,787
Right-of-use asset, net		1,815,151	2,016,748
Total non current assets		865,049,252	878,302,079
Current assets			
Inventory	5	219,243,828	224,689,519
Margin of letter of guarantee	6	50,000,000	50,000,000
Accounts receivable, prepaid expenses and other debtors, net	7	14,567,846	11,423,919
Cash and cash equivalents		164,692,284	103,821,061
Total current assets		448,503,958	389,934,499
Total assets		1,313,553,210	1,268,236,578
Shareholders' equity and Liabilities			
Shareholders' equity			
Share capital	1	550,000,000	550,000,000
Statutory reserve	11	21,575,210	21,575,210
Retained earnings		179,851,216	148,814,264
Total Shareholders' equity		751,426,426	720,389,474
Liabilities			
Non-current liabilities			
Saudi Industrial Development Fund loan- non-current portion	8	369,096,366	412,686,847
Provision for dismantling, removing and rehabilitation of areas subject to franchise license		9,273,040	9,008,712
Lease obligations- non-current portion		1,000,356	1,077,565
Employees' defined benefit plan obligations		3,693,710	3,499,823
Total non-current liabilities		383,063,472	426,272,947
Current liabilities			
Saudi Industrial Development Fund loan- current portion	8	84,062,023	38,795,447
Lease obligations- current portion		897,912	897,912
Accounts payable, accrued expenses and other credit balances	10	84,318,697	74,196,119
Zakat provision		9,784,680	7,684,679
Total current liabilities		179,063,312	121,574,157
Total liabilities		562,126,784	547,847,104
Total Shareholders' equity and liabilities		1,313,553,210	1,268,236,578

Finance Manager



Chief Executive Officer



Chairman of Board of Directors



The accompanying notes from (1) to (17) are an integral part of these condensed Interim financial statements.

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

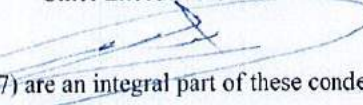
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

		FOR THE THREE MONTHS PERIOD ENDED 31 MARCH	
		2021	2020
		SAR	SAR
		(Unaudited)	(Unaudited)
Profit or loss	Note		
Sales		90,406,292	96,451,448
Cost of sales		(49,546,518)	(48,315,583)
Gross profit		40,859,774	48,135,865
Selling and marketing expenses		(760,743)	(618,311)
General and administrative expenses		(2,277,647)	(2,520,897)
Profit from operations		37,821,384	44,996,657
Finance costs		(4,978,829)	(5,234,709)
Foreign exchange losses		(26,673)	(7,881)
Other revenue		321,070	559,733
Net profit for the period before Zakat		33,136,952	40,313,800
Zakat		(2,100,000)	(1,800,000)
Net profit for the period		31,036,952	38,513,800
Other comprehensive income			
items that will not subsequently reclassified to the condensed interim statement of profit or loss			
Re-measurement of employees' defined benefit plan obligations		-	-
Other comprehensive income for the period		-	-
Total comprehensive income for the period		31,036,952	38,513,800
Earnings per share	12		
Basic and diluted earning per share in net profit for the year		0.56	0.70

Finance Manager



Chief Executive Officer



Chairman of Board of Directors



The accompanying notes from (4) to (17) are an integral part of these condensed Interim financial statements.

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

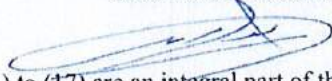
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

	Share capital SAR	Statutory reserve SAR	Retained earnings SAR	Total shareholders' equity SAR
Balance as at 1 January 2020 (Audited)	550,000,000	9,807,917	73,719,959	633,527,876
Net profit for the period	-	-	38,513,800	38,513,800
Balance as at 31 March 2020 (Unaudited)	550,000,000	9,807,917	112,233,759	672,041,676
Balance as at 1 January 2021 (Audited)	550,000,000	21,575,210	148,814,264	720,389,474
Net profit for the period	-	-	31,036,952	31,036,952
Balance as at 31 March 2021 (Unaudited)	550,000,000	21,575,210	179,851,216	751,426,426

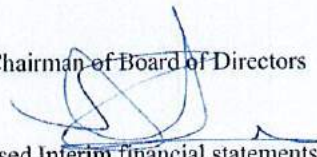
Finance Manager



Chief Executive Officer



Chairman of Board of Directors



The accompanying notes from (1) to (17) are an integral part of these condensed Interim financial statements.

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

	FOR THE THREE MONTHS PERIOD ENDED 31 MARCH	
	2021	2020
	SAR	SAR
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net profit for the period before Zakat	33,136,952	40,313,800
Adjustments to reconcile net profit for the period before zakat:		
Depreciations of property, plant and equipment	13,010,537	13,229,515
Amortizations of intangible assets	86,610	69,503
Depreciation of right-of-use assets	201,597	161,896
Provision for employees defined benefits plan obligations	210,159	116,643
Finance costs	4,978,829	5,234,709
	51,624,684	59,126,066
Changes in operating assets and liabilities:		
Inventory	5,445,691	(247,927)
Accounts receivable, prepaid expenses and other debtors	(3,456,427)	(173,441)
Accounts payable, accrued expenses and other creditors	7,416,441	5,529,253
Result from operations	61,030,389	64,233,951
Employees defined benefits obligations paid	(16,272)	(56,421)
Net cash available from operating activities	61,014,117	64,177,530
Cash flows from investing activities		
Purchase of property, machinery and equipment	(45,917)	(6,863)
Purchase of intangible assets	-	(106,650)
Net cash used in investing activities	(45,917)	(113,513)
Cash flows from financing activities		
Lease obligations paid	(96,977)	(69,171)
Net cash used in financing activities	(96,977)	(69,171)
Net change in cash and cash equivalents	60,871,223	63,994,846
Cash and cash equivalents at the beginning of the period	103,821,061	48,167,686
Cash and cash equivalents at the end of the period	164,692,284	112,162,532

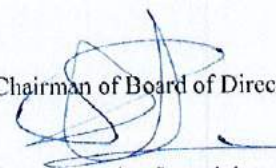
Finance Manager



Chief Executive Officer



Chairman of Board of Directors



The accompanying notes from (1) to (17) are an integral part of these condensed Interim financial statements.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021 (UNAUDITED)**

1- ORGANIZATION AND ACTIVITIES

Umm Al-Qura Cement Company ("UACC" or the "Company") was registered as a Saudi joint stock company with Commercial Registration number 1010382514 issued in Riyadh on 28/08/1434 H (corresponding to 7 July 2013). The share Capital of the Company is SAR 550,000,000 divided into 55,000,000 shares with a nominal value of SAR 10.

The activities of the company in the manufacture of ordinary cement (Portland), the manufacture of salt-resistant cement, the manufacture of white cement, the manufacture of agglomerated cement (clinker), according to the Industrial License No. 1549, On 5 Rajab 1435 H (corresponding to 5 May 2014), and renewed with License No. 411102103007, On the 29 Jumada II 1441 H (corresponding to 23 February 2020), and where the license expires on 28 Jumada II 1444 H (corresponding to 21 January 2023).

The condensed interim financial statements include the assets, liabilities and results of the company's operations and the below branch:

<u>Branch</u>	<u>CR No.</u>	<u>City</u>	<u>Activity</u>
Umm Al-Qura Cement Company Factory	4032044432	Taif	The manufacture of ordinary cement (Portland), the manufacture of salt-resistant cement, the manufacture of white cement, the manufacture of agglomerated cement (clinker)

The head office of the Company is in Riyadh King Abdulaziz Road, Al-Sahafa District, P.O. Box 10182, Riyadh 11433, Riyadh, Saudi Arabia. The Company's factory is located in Taif.

2- BASIS OF PREPARATION CONDENSED INTERIM FINANCIAL STATEMENTS

2-1 STATEMENT OF COMPLIANCE

The condensed interim financial statements have been prepared in accordance with International Accounting Standard (34), "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants. These condensed interim financial statements do not include all information and disclosures required to issue the complete set of financial statements. Also, the results for the period ending 31 March, 2021 are not necessarily indicative of the results that can be expected for the year ending 31 December 2021 (refer to note 4). It should also be read along with the latest financial statements for the year ended 31 December 2020. However, selected accounting policies and explanatory notes have also been included to explain important events and transactions to understand the changes in the financial position and financial performance of the company since 31 December 2020.

The Capital Market Authority has allowed listed companies to use the fair value model or the revaluation model to measure the property, and investment property within fiscal years starting January 1, 2022 and obligated listed companies to continue to use the cost model to measure plant, equipment, and intangible assets.

2-2 PREPARATION OF CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements have been prepared on a historical cost convention except when IFRS requires the use of another measurement basis, as indicated in the applied accounting policies (note 4), and in accordance with the accrual principle and going concern.

2-3 FUNCTIONAL AND PRESENTATION CURRENCY

These condensed interim financial statements are presented in Saudi Riyals, which is the Company's functional currency and the amounts in these financial statements are rounded to the nearest Saudi Riyal.

3- NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2021 and has been explained in the financial statements for the year ended in 31 December 2020 of the company, but they do not have a material effect on the condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies are applied by the Company:

Use of judgments and estimates

The preparation of the condensed interim financial statements in conformity with International Financial Reporting Standards endorsed in Saudi Arabia requires from the management to make judgments, estimates and assumptions that affect application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. These estimates and judgments are based on management's best knowledge of current events and actions and other factors which form a base for estimating the carrying amount of assets and liabilities which can not be easily determined from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognized prospectively.

The following is information about assumptions and estimates that have a material impact on the amounts reported in the Condensed Interim financial statements:

- Going concern

The management has evaluated the ability of the Company to continue as a going concern and believes the Company has sufficient recourses to continue its business in the near future. Therefore, the condensed Interim financial statements are still prepared on the basis of the going concern.

- Estimate useful lives of property, plant and equipment and intangible assets

Management reviews the useful lives of property, plant and equipment to calculate depreciation and amortization. These estimates are determined after taking into account the expected use of assets, obsolescence and damage. The management reviews the residual value and useful lives annually and changes in depreciation expenses in current and future periods, if any.

- Provision for Slow Moving Inventory Items

Management makes provisions for slow moving and obsolete inventories. Inventory is measured at the lower of cost or net realizable value. Estimating of net realizable value is based on the most reliable evidence at the time the estimates are made. These estimates take into account price fluctuations or costs directly related to events that occur after the date of the Condensed Interim financial statements.

- Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

- Impairment of Non-derivative Financial Assets

The Company recognizes allowances for expected credit losses ("ECL") for financial assets measured at amortized cost such as trade accounts receivable. The Company assesses future credit losses using ECL model for financial assets measured at amortized cost. For trade accounts receivable, the Company applies the simplified approach, which measures the loss allowance at an amount equal to lifetime expected credit losses for all trade accounts receivable since the of initial recognition. To assess the ECL, accounts receivable are grouped based on shared risk characteristics and aging. The expected loss rates were calculated based on historical information of the Company and adjusted to reflect the expected future results which includes future information on macroeconomic factors such as inflation and GDP growth rate. Other financial assets such as employees' receivables and bank balances have low credit risk and applying the ECL model is considered insignificant.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Fair value measurements of financial instruments including derivative financial instruments

When the fair value of the financial assets and liabilities in the statement of financial position cannot be measured based on Quoted prices in active market, when IFRS require those assets or liabilities to be measured based on fair value, their fair value is determined using valuation techniques including using the present value of expected cash flows or any other techniques as stated in IFRS 13. The inputs to these techniques are taken from active markets, where possible. However, If this is not possible, a degree of judgment is required to determine the fair value and such estimates take liquidity risk, credit risk and volatility into account. Changes in the assumptions relating to these factors can affect the reported fair value of the financial instruments.

- Benefits and defined benefit plans

Post-employment defined benefits and the current value of those benefits are determined actuarial valuations. Actuarial valuation include further assumptions regarding variables are required such as discount rates, rate of salary increase and return on assets, mortality rates, increase in future pensions. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit liability is highly sensitive to changes in these assumptions. All actuarial assumptions are reviewed at the date of every condensed interim statement of financial position.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value definition includes the assumption that the Company will continue its operations where there is no intention or condition to physically limit the volume of its operations or conduct a transaction with negative terms.

Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: Quoted market prices in active markets for identical assets.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Classification of assets and liabilities from "current" to "non-current"

The Company presents assets and liabilities in the condensed interim statement of financial position on a current / non-current basis. The assets are current as follows:

- When it is expected to be realized or is intended to be sold or consumed during the normal cycle of operations.
- If it is acquired primarily for the purpose of trading.
- When it is expected to be achieved within twelve months after the fiscal year, or
- When they are cash and cash equivalents, unless there are restrictions on their replacement or use to pay any liabilities for a period of not less than twelve months after the financial year.
- All other assets are classified as "non-current".

All liabilities are current as follows:

- When it is expected to be paid during the normal business cycle.
- If it is acquired primarily for the purpose of trading.
- When it matures within twelve months after the fiscal year, or
- When there is no unconditional right to defer the payment of liabilities for a period of not less than twelve months after the financial year.

All other liabilities are classified as "non-current".

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciations. Cost includes expenditure that is directly attributable to acquisition of asset. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Expenditures on maintenance and repairs are expensed, while expenditures for improvements are capitalized. Depreciation is computed using the straight line method based on the estimated useful lives of the assets. Sold or disposed asset and its accumulated depreciation are written-off at the date of sale or disposal. Profit or loss on disposal is recognized in the condensed interim statement of profit or loss. The estimated useful lives of the principal classes of assets are:

<u>Statement</u>	<u>Years</u>
Buildings and roads	10-30
Property and equipment	4-20
Furniture and fixtures	5-20
Trucks and forklifts	7
Water wells	4

Depreciation method and useful lives are reviewed periodically to ensure that depreciation method is appropriate with the expected economic benefits of property, plant and equipment.

The Company has selected to apply the cost model to measure the property, plant and equipment, in accordance with the resolution of Capital Market Authority which obligates listed entities to apply the cost model dated 16/1/1438H (17/10/2016).

Projects under Construction

The cost of projects under construction is calculated on the basis of the actual cost and is shown as projects under construction until they are completed and then transferred to the various items within the property, plant and equipment, and then their Depreciation begins.

Impairment of assets

At each statement of financial position date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If there is any indication that assets have suffered an impairment loss, the recoverable amount of any affected asset (or group of assets) is estimated and compared to its carrying amount. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the condensed interim statement of profit or loss.

When an impairment loss subsequently reverses other than goodwill, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the condensed interim statement of profit or loss.

Intangible assets

Intangible assets that include softwares which the Company has acquired and have a useful life of (5 years) are measured at cost, less accumulated amortization and any accumulated impairment losses if any.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in a specific asset to which they relate, and all other expenses that are internally generated are recognized in the statement of profit or loss when incurred. Costs of intangible assets are calculated less the residual value using the straight-line basis over their estimated useful lives and are recognized in the condensed interim statement of profit or loss.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

4-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realizable value, except for spare parts and raw materials that are stated at cost. Costs of inventories are determined on weighted average basis. The Cost of finished and under process goods includes the cost of materials, labor and indirect industrial costs that contribute to the conversion of raw materials into a final product. Net realizable value is the estimated selling price in the ordinary course of business, less any costs to complete the sale. A provision for obsolete and slow moving items based on management estimates at the date of preparing the condensed interim financial statements.

Accounts receivable

Accounts receivable are stated at the original amount of invoice, less provision for expected credit losses. An allowance against expected credit losses is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Bad debts are written off as incurred against related receivables. Provisions are charged to the condensed interim statement of profit or loss. Any receivables recovered subsequently that were previously written off are recorded under other revenues in the condensed interim statement of profit or loss.

Cash and cash equivalent

Cash and cash equivalent comprise cash on hand and bank balances, time deposits and other highly liquid short-term investments with original maturities of three months or less, from the acquisition date which are available to the Company without restrictions which is subject to insignificant risk of changes in value.

Loans

Loans are initially recognized at the transaction price (i.e. the present value of the bank's due to funding bodies, including transaction costs). Loans are measured at amortized cost.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Provisions are measured to the best of the expected fair value of the liability as at the condensed interim balance sheet date, taking into account risks and uncertainties surrounding the obligation. When an allowance is measured using estimated cash flows to settle the present obligation, the receivable is recognized as an asset if the receipt and replacement of the amount are confirmed and the amount can be measured reliably.

are measured at the un-discounted amount of the benefits expected to be paid in exchange for the related service.

Accounts payable, accrued expenses and other credit balances

Liabilities are recognized for amounts to be paid in future for services received, whether billed or not by suppliers.

Value added tax

Value-added tax has been applied in the Kingdom of Saudi Arabia, starting from January 1, 2018 (Rabi' al-Thani 14, 1439 AH). It is a tax on the supply of goods and services that the final consumer ultimately bears but is collected at every stage of the production and distribution chain as a general principle, therefore The value-added tax treatment in the company's accounts must reflect its role as a tax collector, and VAT should not be included in income or expenditures, whether of a capital or revenue nature. However, there will be circumstances in which the company will incur VAT, and in such cases where VAT is not refundable, it must be included in the cost of the product or service.

Zakat provision

Zakat is a liability on the Company and provided for in the accompanying condensed interim financial statements. Zakat is charged to the condensed interim statement of profit or loss on an accruals basis, in accordance with Zakat standard issued by SOCPA, where it is calculated for the year in accordance with the principle of accrual.

The zakat charge is computed at year-end on Zakat base or adjusted net income whichever is higher, in accordance with the regulations of the General Authority of Zakat and Income Tax in Saudi Arabia.

Additional amounts that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

4-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board of directors remunerations

According to the international financial reporting standards adopted in the Kingdom of Saudi Arabia, the remuneration of the members of the board of directors is recorded through the condensed interim statement of profit or loss.

Revenue

Revenue is recognized when the Company fulfills its obligations in contracts with customers with an amount that reflects the material compensation that the entity expects for goods or services. Specifically, the standard provides a five-step model for revenue recognition:

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when or as the entity satisfies a performance obligation.

- Revenue is recognized when the contractual obligations are performed, i.e. when control over goods or services related to performance of a specified obligation is transferred to the customer and the customer is able to use goods without restrictions or benefit from services provided under the contract.
- Revenue from sale of any by-products from industrial waste is recorded as other income in the condensed interim statement of profit or loss.
- If the Company separated a product selling price from its location or delivered to customer's location, the difference arising from this separation will be considered other revenue and its corresponding cost will be charged to selling and marketing expenses.

Other Revenue

Other revenues are recognized when realized.

Expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue or selling and marketing expenses and the common expenses are distributed, when required, Sales and marketing expenses include all expenses related to selling and marketing.

Offset

Financial assets and financial liabilities are offset and the net amount presented in the condensed interim statement of financial position when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Earnings per share

Basic and diluted earnings per share are calculated based on the weighted average number of shares outstanding as at the end of the period.

Segment information

The company is engaged in its activities in one operating sector in the production of cement and is fully operating in the Kingdom of Saudi Arabia. The financial information is not divided into different business segments or geographically.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at year's end. Gains and losses from settlement and translation of foreign currency transactions are included in the condensed interim statement of profit or loss.

Leases

Company as a lessor

The company recognizes lease payments received under the lease contracts as income in the condensed interim statement of profit or loss on a straight-line basis over the term of the lease.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Company as a lessee

Upon initiation of non-cancellable operating leases, the leased asset is identified and defined as the "right to use the leased asset" and is measured at cost with an appropriate discount on the relevant components of the lease term and payment obligations including the initial direct cost, terms and incentives mentioned in the basic lease agreement after measurement. First and foremost, the "right to use the leased asset" is subsequently measured periodically using a cost model that includes initial measurement and any re-measurement adjustments minus accumulated depreciation.

The company depreciates the asset of the right of use over the estimated period of the lease contract using the straight-line method.

On the lease commencement date at the net present value of all unpaid lease payments as on that date discounted at an appropriate rate. After initial measurement, 'lease liabilities' are measured periodically by increasing the carrying cost to reflect the interest cost on future unpaid lease liabilities and any re-measurement adjustment minus the lease payments made up to that date.

An appropriate depreciation rate and an appropriate profit rate are applied to the "right to use the leased asset" and the "lease liability" respectively. This depreciation, interest and financing expenses are charged to the condensed interim statement of profit or loss.

Short-term and low-value leases

The Company has chosen not to prove the assets (right to use) and lease obligations for short-term leases of 12 months or less and low-value lease contracts, the Company recognizes the lease payments associated with these contracts as expenses in the condensed interim statement of profit or loss on a straight-line basis over a period lease.

5- INVENTORIE

	31 March 2021 (UNAUDITED) SAR	31 December 2020 (AUDITED) SAR
Goods in process*	183,478,184	190,670,496
Spare parts	14,164,269	15,201,503
Raw materials	12,271,135	9,991,079
Finished goods	4,337,464	4,956,831
Fuel and oil	4,007,397	2,804,991
Packaging and other materials	985,379	1,064,619
	219,243,828	224,689,519

*Goods in process mainly comprise of clinker material. As of 31 March 2021, clinker inventory balance amounted to SAR 181 million (31 December 2020: SAR 189 million). Clinker is a basic material used by the Company in the production of cement (finished goods). This material is stored in large areas of the plant and can maintain their quality for five years, according to estimation of production management of the Company.

6- MARGIN OF LETTER OF GUARANTEE

This item is represented in a letter of guarantee issued in favor of the Ministry of Energy, Industry and Mineral Resources in exchange for providing the company with fuel and the company's commitment to establish a white cement factory, as of 31 March 2021, the value of this letter was SAR 100 million (31 December 2020: an amount of SAR 100 million). This letter is covered by 50% of its value and the balance of the bank guarantee cover as on 31 March 2021 amounted to SAR 50 million (31 December 2020: SAR 50 million) (note14).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

7- ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND OTHER DEBTORS, NET

	31 March 2021 (UNAUDITED) SAR	31 December 2020 (AUDITED) SAR
Accounts receivable	7,800,529	7,096,903
(Less): Provision for expected credit loss	(430,703)	(430,703)
Net accounts receivable	7,369,826	6,666,200
Prepayments to contractors and supplier	4,833,129	2,532,059
Prepaid expenses	2,364,891	2,225,660
	14,567,846	11,423,919

Below is the movement in provision for expected credit losses:

	31 March 2021 (UNAUDITED) SAR	31 December 2020 (AUDITED) SAR
Balance at the beginning of the period / year	430,703	424,347
Provided during the period / year	-	6,356
Balance at the end of the period/ year	430,703	430,703

8- SAUDI INDUSTRIAL DEVELOPMENT FUND LOAN

Below is the movement in SIDF loan is as follows::

	31 March 2021 (UNAUDITED) SAR	31 December 2020 (AUDITED) SAR
Balance at the beginning of the period/ year	468,000,000	568,000,000
Loan payments during the period/ year	-	(100,000,000)
Balance at the end of the period/ year	468,000,000	468,000,000
(Less): Deferred administrative financing costs	(14,841,611)	(16,517,706)
	453,158,389	451,482,294
SIDF loan: current portion	(84,062,023)	(38,795,447)
SIDF loan - non-current portion	369,096,366	412,686,847

- On 21 May 2014, the Company signed long-term loan agreement with the Saudi Industrial Development Fund (SIDF) At an amount of 678,000,000 Saudi riyals to finance establishing a cement production plant. The loan is secured by mortgage the Company's buildings, machines and equipment to the Fund. The loan agreement included covenants regarding maintaining some financial ratios. The loan will be paid in 16 installments. The first installment is due on 15 Safar 1439H (4 November 2017) and the last installment is due on 15 Shaban 1446 H (14 February 2025).
- On 23 Dhu al-Qi'dah 1438 H (15 August 2017), a letter was signed to amend the original terms the loan which included decreasing the loan amount to SAR 656,876,000, amending the payments to be 15 unequal semi-annual installments and amending first installment due date to be 15 Shaban 1439H (1 May 2018) without amending the last installment due date.
- Deferred finance costs represent fee deducted in advance upon receipt of the loan. These fees are amortized over the term of the related loan using the effective interest rate. Follow-up fees hvae incurred in these loans.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

8- SAUDI INDUSTRIAL DEVELOPMENT FUND LOAN (CONTINUED)

Below are maturities of SIDF loan:

Year	31 March 2021 (UNAUDITED) SAR	31 December 2020 (AUDITED) SAR
2021	45,000,000	45,000,000
2022	100,000,000	100,000,000
2023	115,000,000	115,000,000
2024	134,000,000	134,000,000
2025	74,000,000	74,000,000
	468,000,000	468,000,000

9- CREDIT FACILITIES

The Company signed a Shariah-compliant credit facilities agreement with a bank on 23 April 2019 amounting to SAR 100 million. The facilities expire on 23 April 2022, and they are secured with a promissory note issued for the bank by the Company amounting to SAR 100 million. The purpose of the facilities is to finance the requirements of the Company's working capital, purchases and letters of credit. The company did not use any of these banking facilities during the year 2020, as the outstanding balance of these facilities as of 31 March 2021 was nothing (31 December 2019: nothing).

10- ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER PAYABLES

	31 March 2021 (UNAUDITED) SAR	31 December 2020 (AUDITED) SAR
Follow-up fees of SIDF Loan (a)	35,493,182	32,787,045
Contractors and suppliers	21,585,357	19,562,468
Exploitation fees - Ministry of Energy, Industry and Mineral Resources (b)	12,176,290	9,539,591
Retained amounts for maintenance works	6,182,473	5,365,300
Value added tax and withholding tax	3,939,475	3,022,443
Due to employees	2,811,501	1,880,092
Advances from customers	970,354	1,190,595
Accrued expenses	1,160,065	848,585
	84,318,697	74,196,119

A) SIDF loan follow-up fees represent amounts due on the loan granted by the SIDF to the Company for the project, in accordance with the agreement signed with SIDF.

B) The amount represent due to Ministry of Energy, Industry and Mineral Resources ,According to the license granted to the Company for the exploitation of Limestone in the licensed area.

11- STATUTORY RESERVE

As per the Regulations for Companies in Saudi Arabia, and the articles of association of the company a statutory reserve of 10% of net income must be appropriated until the reserve equals 30% of the share capital. The reserve is not available for distribution as dividends to Shareholders.

12- EARNING PER SHARE

Earnings per share from net income is calculated by dividing the net income for the year by the weighted average number of shares outstanding As at the end of the period amounting 55,000,000 shares (31 December 2020: 55,000,000 shares).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

13- FINANCIAL INSTRUMENTS RISK MANAGEMENT

Liquidity risks

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments that the company commits to in the interest of others.

To reduce the liquidity risk and associated losses which may affect the business of the Company, the company maintains, wherever possible, sufficient highly liquid current assets in all business conditions. The Company avoids financing long-term capital requirements through short-term borrowing. Long-term projects are currently funded with long-term loans only. The Company has a highly dynamic cash flow policy and a system by which it can estimate the maturity dates of its liabilities and develop appropriate plans to provide the required funding to meet these liabilities in a timely manner.

The following is the maturities of assets and liabilities as of 31 March 2021(Unaudited):

	3 months or less SAR	More than 3 months to 1 year SAR	More than 1 year up to 10 years SAR	No specific maturity dates SAR	Total SAR
Assets					
Margin of letter of guarantee	-	-	-	50,000,000	50,000,000
Accounts receivable, prepaid expenses and other debtors	14,567,846	-	-	-	14,567,846
Total	14,567,846	-	-	50,000,000	64,567,846
Liabilities					
Saudi Industrial Development Fund (SIDF) Loan	-	45,000,000	423,000,000	-	468,000,000
Provision for dismantling, removing and rehabilitation of areas subject to franchise license	-	-	-	9,273,040	9,273,040
Lease obligations	96,978	800,934	1,000,356	-	1,898,268
Employees' defined benefit plan obligations	-	-	-	3,693,710	3,693,710
Accounts payable, accrued expenses and other creditors	84,318,697	-	-	-	84,318,697
Zakat provision	-	9,784,680	-	-	9,784,680
Total	84,415,675	55,585,614	424,000,356	12,966,750	576,968,395

The following is the maturities of assets and liabilities as of 31 December 2020 (Audited):

	3 months or less SAR	More than 3 months to 1 year SAR	More than 1 year up to 10 years SAR	No specific maturity dates SAR	Total SAR
Assets					
Margin of letter of guarantee	-	-	-	50,000,000	50,000,000
Accounts receivable, prepaid expenses and other debtors	11,423,919	-	-	-	11,423,919
Total	11,423,919	-	-	50,000,000	61,423,919
Liabilities					
Saudi Industrial Development Fund (SIDF) Loan	-	45,000,000	423,000,000	-	468,000,000
Provision for dismantling, removing and rehabilitation of areas subject to franchise license	-	-	-	9,008,712	9,008,712
Lease obligations	96,978	800,934	1,077,565	-	1,975,477
Employees' defined benefit plan obligations	-	-	-	3,499,823	3,499,823
Accounts payable, accrued expenses and other credit balances	74,196,119	-	-	-	74,196,119
Zakat provision	-	7,684,679	-	-	7,684,679
Total	74,293,097	53,485,613	424,077,565	12,508,535	564,364,810

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

14- CONTINGENT LIABILITIES

- The Company has contingent liabilities arising from an outstanding letter of guarantee amounting to SAR 50 million as of 31 March 2021 (31 December 2020: amounting to SAR 50 million). The letter of guarantee is issued for the Ministry of Energy, Industry and Mineral Resources against supplying the Company with fuel and the Company's commitment to set up a white cement plant. As of 31 March 2021, the letter of guarantee amounted to SAR 100 million (31 December 2020: SAR 100 million). This letter is secured by 50% of its amount. As of 31 March 2021, the bank guarantee balance amounted to SAR 50 million (31 December 2020: SAR 50 million) (note 6).
- There is a court case filed against the company, and it is currently being litigated, but the final outcome of that case cannot be determined with certainty. Presently, the company's management does not expect that the results of this case will be material on the condensed interim financial statements.

15- IMPORTANT MATTERS DURING THE PERIOD

The company's management prepared a technical study which showed that the company's quarry, suffers from poverty in highly concentrated limestone materials, which are mainly used in the production of the clinker Used in cement production. The company has conducted a cross-sectional drilling study of the area adjacent to the company's quarry through one of the companies specialized in that field, which showed the presence of highly concentrated limes stocks in large quantities. During the month of December 2020, the company submitted an application on the platform of the Mineral Resources Agency to obtain an exploration license for that area, and until the date of the financial position, the company did not receive any response from the Mineral Resources Agency regarding the submitted application.

In response to the spread of the Covid-19 in GCC during the beginning of 2020 and other territories where the Company operates and its resulting disruptions to the social and economic activities in those markets, Management had proactively assessed its impacts on its operations and took a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and the wider community as well as to ensure the continuity of supply of its products throughout its markets. Notwithstanding these challenges, the Company's operations remained largely unaffected as the food industry in general was exempt from the various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. The underlying demand from retail and wholesale customers for the Company's products has been largely unaffected, although some small shifts in product mix were apparent. Based on these factors, Management believes that the Covid-19 pandemic has had no material effect on Almarai's reported financial results for the period ended 31 March 2021.

The Company continues to monitor the Covid-19 situation closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Company's operations during 2021 or beyond.

On 26 Rajab 1442 H, corresponding to 10 March 2021, the Board of Directors recommended that its meeting be held on that date for the next general assembly, to dividend distribution for the second half of 2020 by amount 40 halala per share representing 4% of the value of the share with total amount SAR 22,000,000. that in addition to the dividends for the first half of 2020 with amount of 30 halal per share, so that the total distributions for the year 2020 (70 halala per share) with a total amount of SAR 38,500,000.

16- SUBSEQUENT EVENTS

In the opinion of the management, there were no other significant events subsequent to 31 March 2021 that are expected to have a significant impact on these condensed interim financial statements as at 31 March 2021.

17- APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the board of directors on 15 Ramadan 1442 H (27 April 2021).